

Portfolio Society: On the Capitalist Mode of Prediction [book review]

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Abstract:

The crisis of 2007 and 2008 brought a once-shadowy realm of finance and its component instruments—securities, derivatives, brokerage firms, credit default swaps, collateralized debt obligations, credit rating agencies, high-frequency trading, and more—to popular concern. In finance—ever-expanding, spectral, and blithely self-confident—many found the sign of a radically new force in social life. Finance suggested an answer to that essential modernist question about what separates us from previous eras. In *Portfolio Society: On the Capitalist Mode of Prediction*, political theorist Ivan Ascher considers financialization through a creative, comparative rereading of Marx's *Capital*. Where Marx found labor and commodities, Ascher finds risk and securities. By inducing people to seek security through ever more speculative means, he argues that the world of Anglo-American financialized capitalism requires us to rethink profit-making, inequality, and power. With only the volatile world of finance to stand on, this elegant conceptual and historical essay leverages Marx's analytical framework to insist on the novelty of contemporary capitalism.

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Article:

Portfolio Society: On the Capitalist Mode of Prediction

Ivan Ascher . New York: Zone Books, 2016. 191 pp. \$25.95 cloth. ISBN: 9781935408741.

The crisis of 2007 and 2008 brought a once-shadowy realm of finance and its component instruments—securities, derivatives, brokerage firms, credit default swaps, collateralized debt obligations, credit rating agencies, high-frequency trading, and more—to popular concern. In finance—ever-expanding, spectral, and blithely self-confident—many found the sign of a radically new force in social life. Finance suggested an answer to that essential modernist question about what separates us from previous eras. In *Portfolio Society: On the Capitalist Mode of Prediction*, political theorist Ivan Ascher considers financialization through a creative, comparative rereading of Marx's *Capital*. Where Marx found labor and commodities, Ascher finds risk and securities. By inducing people to seek security through ever more speculative means, he argues that the world of Anglo-American financialized capitalism requires us to rethink profit-making, inequality, and power. With only the volatile world of finance to stand on, this elegant conceptual and historical essay leverages Marx's analytical framework to insist on the novelty of contemporary capitalism.

To secure “a proper critique of contemporary finance,” one that eschews the low-hanging fruit of moral outrage, Ascher observes two crucial developments: “the extraordinary rise of financial markets in recent decades and the concurrent development . . . of a ‘portfolio society,’ in which capitalist relations themselves have to a large extent become ‘securitized’” (p. 10). Through the development of technical instruments for trading an ever-increasing array of assets, a portfolio society requires investors to attune themselves to risk and therefore to diversify their investments. Yet investment isn’t just risky; it is also understood as the unavoidable path to future security for corporations and individuals alike. In this society, where algorithms enable the prediction of risk and facilitate near-constant buying and selling of securities, financial markets appear to take on a life of their own. These markets, in turn, mediate ever more social relations. In light of this Ascher asks, “what does it mean to live in a world where *risk itself* can be treated as something to be bought or sold?” (p. 14). Appropriating the basic structure of *Capital*, Ascher begins his answer with the basic unit of financial capitalism—the security-form.

If the wealth of financial capitalism appears as a “monstrous collection of securities” (p. 31)—tradable promises to receive or collect money at a future date—what then are its features? Securities are useful to governments, businesses, and individuals who seek to augment wealth, free up capital for productive projects, or protect themselves against market instabilities. At the same time, securities are “considered less and less for their specific usefulness and more and more for their value in exchange—or more precisely, for their value as hedges in the construction of a properly diversified portfolio” (p. 36). Through the analogy to use- and exchange-value, Ascher claims that the “hedging value” of securities depends on the speculative activity of everyone betting on promises in financial markets. What these securities have in common, then, is that they represent “quantities of congealed ‘risk’”—not labor time (p. 45). As these financial instruments expanded in the 1970s to include derivatives and other speculations on financial products rather than commodities, the promises appeared as “things of value” (p. 52). That which is the product of collective efforts to hedge against risk appears not as social relations between issuing actors and institutions, but as relations between the securities themselves. This fetishism of securities, Ascher argues, casts financial markets as powers that loom over us, independent of the social relations that constitute them.

Like Marx, Ascher then follows the capitalist (“Moneybags”) to market to uncover the secret that allows the capitalist to profit through a free and fair exchange. Rather than a person who has nothing to sell but her labor, Ascher encounters the debtor—the person who has nothing to lose but his credit. How did this social relation between capitalist and debtor acquire such import? In the 1920s and 1930s, lenders began to gather more data about those seeking and those who had already been granted credit. The credit score rationalized the distribution of credit in a way that redounded to the emergence of a portfolio society. Deregulation of lending practices and new lending strategies enabled Moneybags to become “less concerned with determining which individuals [or companies] he might choose to lend to . . . than with trying to construct and maintain an overall portfolio of assets” (p. 73). These instruments enabled Moneybags to predict the likelihood of default and thus grade these pools of assets accordingly—to secure for themselves a return on the investment. But the final coup—that which assures the capitalist the upper hand over the debtor—lies in the portfolio. Whereas the debtor relies on the credit score to secure consumer loans, Moneybags can “point to the carefully diversified nature of her portfolio”

to ensure access to even greater pools of money and interest. The capitalist, then, controls the “means of *prediction*” to “make use of the capabilities and probabilities of others in such a fashion that they become more and more capable and probable in turn” (p. 81).

But all accumulation is not formally free and fair. In thinking through Marx’s notion of “primitive accumulation,” Ascher essays to describe a new form of expropriation for financialized capitalism. With the restructuring of the welfare state social insurance schemes since the 1970s, people “that had relied on the means of protection being held in common found themselves having to devise alternatives.” Where they once relied on the state, they now rely on “insurance companies, pension funds, and credit card providers” (p. 96). But unlike previous instances of primitive accumulation, this new enclosure enticed as well as coerced. For example, the credit card promises freedom and convenience, while simultaneously requiring people to “produce themselves as creditworthy customers” before buying even a pack of gum (p. 103). Thus, Ascher describes the now familiar “neoliberal subjects” as “investors in [our] own human capital” who must “make promises in our own name and . . . alienate our credibility to anyone who might have an interest in acquiring it” (p. 106). In financialized capitalism, we are all buyers and sellers of risk in a great game of hedging—though the many languish as debtors while the few, who control the means of prediction, leverage their role to acquire more and more.

Portfolio Society insists on the novelty of financial capitalism—a mode of profit-seeking by means of prediction and protection (p. 126). But the essay’s virtue lies not so much in the questions it answers as in those it raises. When the analogies to *Capital* break down, as in the transition from exchange value to hedging value or from laborer to debtor, we are left to wonder: in a world of such apparent novelty, what remains? Do these transitions index a new form of capitalism, or do they index another new frontier in a capitalist system that must always discover new ones? What kind of differences—conceptual, organizational, and experiential—does finance make? Those seeking clarity about the kind of world in which we live would do well to take up the gauntlet that Ascher has thrown down. It is a worthy and engaging provocation, one that asks us to reflect on the financial spirits that haunt our world and how we might understand them.